

**Postville Community School District**

**Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings**

**June 30, 2005**

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**Postville Community School District**

**Officials**

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

**Board of Education**

**(Before September 2004 Election)**

|                |              |      |
|----------------|--------------|------|
| Brad Rekow     | President    | 2006 |
| Dennis White   | Board Member | 2004 |
| Gary Catterson | Board Member | 2005 |
| Dennis Koenig  | Board Member | 2005 |
| Kathy Ohloff   | Board Member | 2004 |

**Board of Education**

**(After September 2004 Election)**

|                |              |      |
|----------------|--------------|------|
| Brad Rekow     | President    | 2006 |
| Gary Catterson | Board Member | 2005 |
| Dennis Koenig  | Board Member | 2005 |
| Staci Malcom   | Board Member | 2007 |
| Jamie Smith    | Board Member | 2007 |

**School Officials**

|                  |                    |      |
|------------------|--------------------|------|
| David Strudthoff | Superintendent     | 2005 |
| Clara Lensing    | District Secretary | 2005 |
| Mike Kruckenberg | District Treasurer | 2005 |
| Stephan Saunders | Attorney           | 2005 |

## Independent Auditor's Report

To the Board of Education of  
Postville Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Postville Community School District, Postville, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

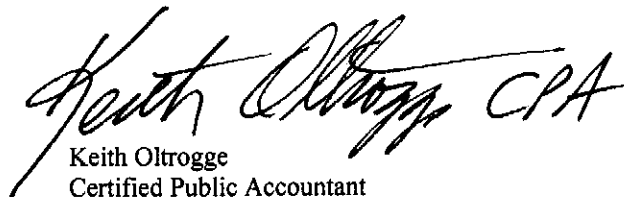
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Postville Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated August 16, 2005 on my consideration of Postville Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Postville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

August 16, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Postville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,320,259 in fiscal 2004 to \$4,593,454 in fiscal 2005, while General Fund expenditures decreased from \$4,690,278 in fiscal 2004 to \$4,458,428 in fiscal 2005. The District's General Fund balance increased from \$155,717 in fiscal year 2004 to \$294,689 in fiscal year 2005, a 47% increase.
- The increase in General Fund revenues was attributable to an increase in state and federal grant revenue in fiscal year 2005. The decrease in expenditures was due primarily to a decrease in instructional costs.
- The District's solvency ratio has increased from 3.3% at June 30, 2004 to 6.6% at June 30, 2005. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Postville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Postville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Postville Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Postville Community School District Annual Financial Report**

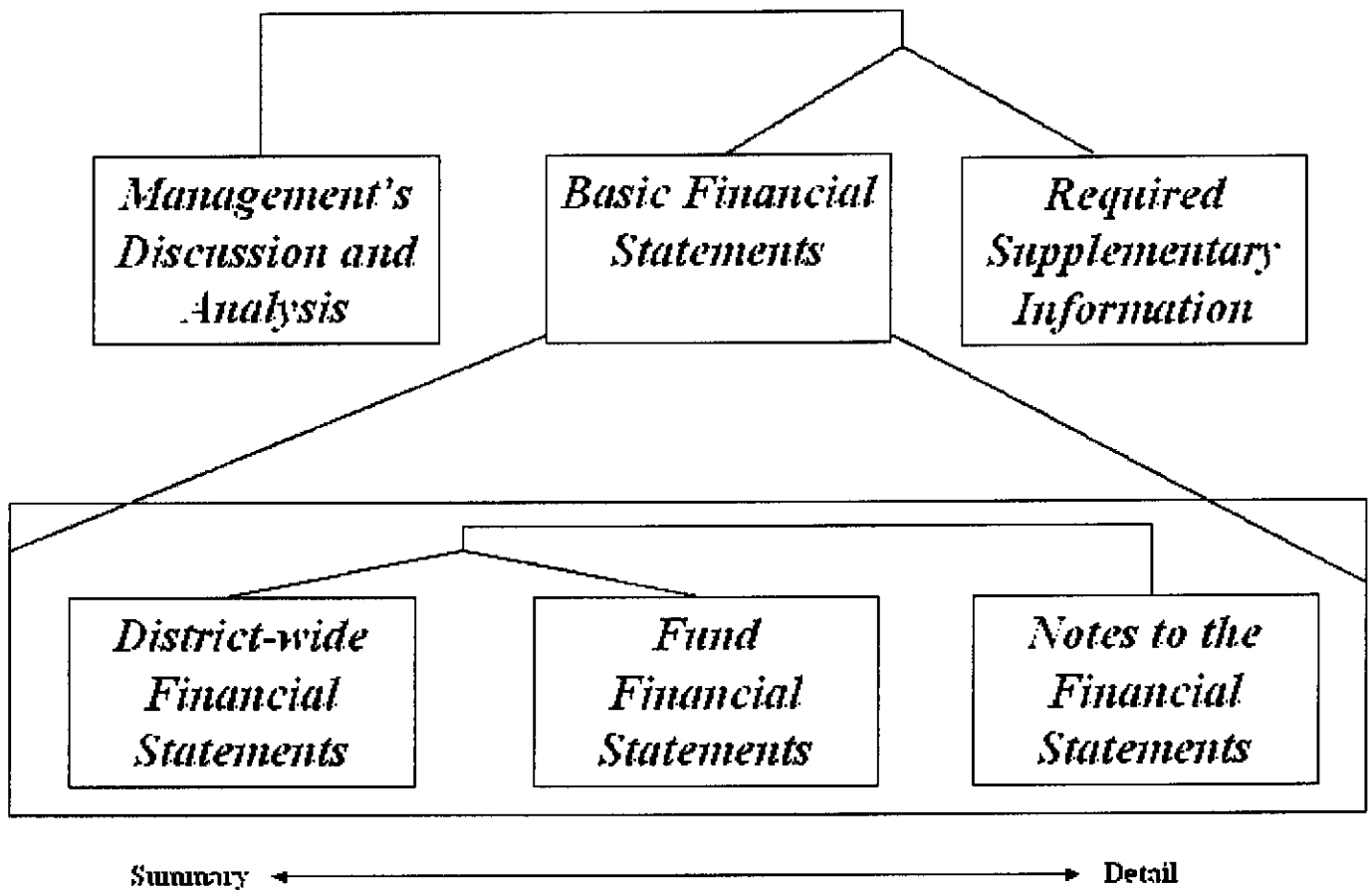


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

|  | Government-wide<br>Statements  | Fund Statements  |   |   |
|--|--|--|---|---|
|  |  | Governmental Funds   | Proprietary Funds   | Fiduciary Funds   |
| Scope  | Entire District<br>(except fiduciary<br>funds)   | The activities of the<br>District that are not<br>proprietary or<br>fiduciary, such as<br>special education<br>and building<br>maintenance   | Activities the District<br>operates similar to<br>private businesses:<br>food services and<br>adult education | Instances in which<br>the District<br>administers<br>resources on behalf<br>of someone else,<br>such as scholarship<br>programs             |
| Required financial<br>statements             | Statement of net<br>assets   | Balance sheet  | Statement of net<br>assets  | Statement of<br>fiduciary net assets  |
|  | Statement of<br>activities   | Statement of<br>revenues,<br>expenditures and<br>changes in fund<br>balances   | Statement of<br>revenues, expenses<br>and changes in fund<br>net assets                                       | Statement of<br>changes in fiduciary<br>net assets  |
|  |  |  | Statement of cash<br>flows  |   |
| Accounting basis<br>and measurement<br>focus | Accrual accounting<br>and economic<br>resources focus  | Modified accrual<br>accounting and<br>current financial<br>resources focus   | Accrual accounting<br>and economic<br>resources focus   | Accrual accounting<br>and economic<br>resources focus   |
| Type of asset/<br>liability information      | All assets and<br>liabilities, both<br>financial and capital,<br>short-term and long-<br>term  | Generally, assets<br>expected to be used<br>up and liabilities<br>that come due<br>during the year or<br>soon thereafter; no<br>capital assets or<br>long-term liabilities<br>included   | All assets and<br>liabilities, both<br>financial and capital,<br>short-term and long-<br>term                 | All assets and<br>liabilities, both short-<br>term and long-term;<br>funds do not currently<br>contain capital assets,<br>although they can |
| Type of inflow/<br>outflow information       | All revenues and<br>expenses during<br>year, regardless of<br>when cash is<br>received or paid | Revenues for which<br>cash is received<br>during or soon after<br>the end of the year;<br>expenditures when<br>goods or services<br>have been received<br>and the related<br>liability is due during<br>the year or soon<br>thereafter | All revenues and<br>expenses during the<br>year, regardless of<br>when cash is<br>received or paid            | All additions and<br>deductions during<br>the year, regardless of<br>when cash is<br>received or paid                                       |



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Trust and Agency Funds.

- Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain revenue collected for District activities and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

**Figure A-3**  
**Condensed Statement of Net Assets**

|  | Governmental<br>Activities |             | Business Type<br>Activities |           | Total<br>District |             | Total<br>Change |
|--|----------------------------|-------------|-----------------------------|-----------|-------------------|-------------|-----------------|
|  | June 30,                   |             | June 30,                    |           | June 30,          |             | June 30,        |
|  | 2005                       | 2004        | 2005                        | 2004      | 2005              | 2004        | 2004-2005       |
| Current and other assets                           | \$4,430,116                | \$3,402,041 | \$70,160                    | \$80,611  | \$4,500,276       | \$3,482,652 | 29.2%           |
| Capital assets                                     | 6,002,009                  | 6,221,359   | 52,315                      | 45,346    | 6,054,324         | 6,266,705   | -3.4%           |
| Total assets                                       | \$10,432,125               | \$9,623,400 | \$122,475                   | \$125,957 | \$10,554,600      | \$9,749,357 | 8.3%            |
| Long-term liabilities                              | \$2,711,294                | \$2,691,799 | \$-                         | \$-       | \$2,711,294       | \$2,691,799 | .7%             |
| Other liabilities                                  | 3,610,987                  | 3,093,257   | 2,551                       | 1,243     | 3,613,538         | 3,094,500   | 16.8%           |
| Total liabilities                                  | \$6,322,281                | \$5,785,056 | \$2,551                     | \$1,243   | \$6,324,832       | \$5,786,299 | 9.3%            |
| Net assets:  |                            |             |                             |           |                   |             |                 |
| Invested in capital assets,<br>net of related debt | \$3,390,106                | \$3,684,376 | \$52,315                    | \$45,346  | \$3,442,421       | \$3,729,722 | -7.7%           |
| Restricted   | 263,247                    | -           | -                           | -         | 263,247           | -           | 100.0%          |
| Unrestricted                                       | 456,491                    | 153,968     | 67,609                      | 79,368    | 524,100           | 233,336     | 124.0%          |
| Total net assets                                   | \$4,109,844                | \$3,838,344 | \$119,924                   | \$124,714 | \$4,229,768       | \$3,963,058 | 6.7%            |

The District's combined net assets increased by nearly 6.7%, or \$266,710, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$263,247 or 100% over the prior year. The increase was due to a reclassification of principal payments for the QZAB Loan in the Physical Plant and Equipment Levy Fund. (See Note 7)

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$290,769, or 124%.

Figure A-4 shows the change in net assets for the year ended June 30, 2005.

**Figure A-4**  
**Changes in Net Assets**

|  | Governmental<br>Activities | Business<br>Type<br>Activities | Total<br>District |
|--|----------------------------|--------------------------------|-------------------|
| <b>Revenues:</b>   |                            |                                |                   |
| Program revenues:  |                            |                                |                   |
| Charges for service  | \$297,865                  | \$108,538                      | \$406,403         |
| Operating grants, contributions and<br>restricted interest | 785,703                    | 145,131                        | 930,834           |
| Capital grants, contributions and<br>restricted interest   | -                          | -                              | -                 |
| General revenues:  |                            |                                |                   |
| Property tax   | 1,630,556                  | -                              | 1,630,556         |
| Local option sales and service tax                         | 323,414                    | -                              | 323,414           |
| Unrestricted state grants                                  | 2,349,495                  | -                              | 2,349,495         |
| Unrestricted investment earnings                           | 29,547                     | 1,385                          | 30,932            |
| Other  | 6,634                      | -                              | 6,634             |
| Total revenues   | \$5,423,214                | \$255,054                      | \$5,678,268       |
| <b>Program expenses:</b>                                   |                            |                                |                   |
| Governmental activities:                                   |                            |                                |                   |
| Instruction  | \$3,464,092                | \$-                            | \$3,464,092       |
| Support services   | 1,406,859                  | -                              | 1,406,859         |
| Non-instructional programs                                 | 1,174                      | 259,844                        | 261,018           |
| Other expenses   | 279,589                    | -                              | 279,589           |
| Total expenses   | \$5,151,714                | \$259,844                      | \$5,411,558       |
| Change in net assets                                       | \$271,500                  | -\$4,790                       | \$266,710         |

Property tax and unrestricted state grants account for 70.1% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$5,423,214 and expenses were \$5,151,714. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of Governmental  
Activities**

|                            | Total Cost<br>of Services | Net Cost<br>of Services |
|----------------------------|---------------------------|-------------------------|
| Instruction                | \$3,464,092               | \$2,414,706             |
| Support Services           | 1,406,859                 | 1,372,677               |
| Non-instructional programs | 1,174                     | 1,174                   |
| Other expenses             | 279,589                   | 279,589                 |
| Totals                     | \$5,151,714               | \$4,068,146             |

- The cost financed by users of the District's programs was \$406,403.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$930,834.
- The net cost of governmental activities was financed with \$1,630,556 in property and other taxes and \$2,349,495 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$255,054 and expenses were \$259,844. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Postville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,109,844, well above last year's ending fund balances of \$3,838,344.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$155,717 to \$294,689 due in part to the increase in federal and state grant revenue.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$217,931 less than budgeted receipts, a variance of 3.7%. The most significant variance resulted from the District receiving more in federal aid than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested \$6,054,324, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 3.4% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$305,830.

The original cost of the District's capital assets was \$12,777,320. Governmental funds account for \$12,685,467, with the remainder of \$91,853 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

|                                      | Governmental<br>Activities |             | Business Type<br>Activities |          | Total<br>District |             | Total<br>Change |
|--------------------------------------|----------------------------|-------------|-----------------------------|----------|-------------------|-------------|-----------------|
|                                      | June 30,                   |             | June 30,                    |          | June 30,          |             | June 30,        |
|                                      | 2005                       | 2004        | 2005                        | 2004     | 2005              | 2004        | 2004-2005       |
| Land                                 | \$89,000                   | \$89,000    | \$-                         | \$-      | \$89,000          | \$89,000    | 0.0%            |
| Construction in progress             | 12,500                     | -           | -                           | -        | 12,500            | -           | 100.0%          |
| Buildings                            | 5,341,574                  | 5,460,171   | -                           | -        | 5,341,574         | 5,460,171   | -2.2%           |
| Improvements other than<br>buildings | 129,779                    | 137,294     | -                           | -        | 129,779           | 137,294     | -5.5%           |
| Furniture and equipment              | 429,156                    | 534,894     | 52,315                      | 45,346   | 481,471           | 580,240     | -17.0%          |
| Totals                               | \$6,002,009                | \$6,221,359 | \$52,315                    | \$45,346 | \$6,054,324       | \$6,266,705 | -3.4%           |

### Long-Term Debt

At June 30, 2005, the District had \$2,711,294 in other long-term debt outstanding. This represents an increase of 0.7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

|                       | Total<br>District |             | Total<br>Change |
|-----------------------|-------------------|-------------|-----------------|
|                       | June 30,          |             | June 30,        |
|                       | 2005              | 2004        | 2004-2005       |
| Capital notes payable | \$2,520,000       | \$2,536,983 | -0.7%           |
| Early retirement      | 99,391            | 154,816     | -35.8%          |
| Capital lease         | 91,903            | -           | 100.0%          |
| Totals                | \$2,711,294       | \$2,691,799 | 0.7%            |

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District had been awarded a \$265,408 Iowa Demonstration Construction Grant for sidewalk repairs and other remodeling. These projects will be completed in 2006.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clara Lensing, District Secretary, Postville Community School District, P.O. Box 717, Postville IA 52162.

## **Basic Financial Statements**

## Postville Community School District

## Statement of Net Assets

June 30, 2005

|   | Govern-<br>mental<br>Activities | Business<br>Type<br>Activities | Total                |
|---|---------------------------------|--------------------------------|----------------------|
| <b>Assets</b>                                   |                                 |                                |                      |
| Cash and Cash Equivalents:                      |                                 |                                |                      |
| ISCAP   | \$ 1,454,460                    | \$ -                           | \$ 1,454,460         |
| Other   | 1,154,457                       | 52,682                         | 1,207,139            |
| Receivables:                                    |                                 |                                |                      |
| Property tax:                                   |                                 |                                |                      |
| Delinquent                                      | 23,169                          | -                              | 23,169               |
| Succeeding year                                 | 1,654,754                       | -                              | 1,654,754            |
| Accounts  | 29,065                          | 3,545                          | 32,610               |
| Accrued interest:                               |                                 |                                |                      |
| ISCAP   | 8,598                           | -                              | 8,598                |
| Escrow account                                  | 7,629                           | -                              | 7,629                |
| Due from other governments                      | 97,984                          | -                              | 97,984               |
| Inventories                                     | -                               | 13,933                         | 13,933               |
| Capital assets, net of accumulated depreciation | 6,002,009                       | 52,315                         | 6,054,324            |
| <b>Total Assets</b>                             | <b>\$ 10,432,125</b>            | <b>\$ 122,475</b>              | <b>\$ 10,554,600</b> |
| <b>Liabilities</b>                              |                                 |                                |                      |
| Accounts payable                                | \$ 40,988                       | \$ 273                         | \$ 41,261            |
| Salaries and benefits payable                   | 435,589                         | 2,278                          | 437,867              |
| Accrued interest payable                        | 6,561                           | -                              | 6,561                |
| Deferred revenue-succeeding year property tax   | 1,654,754                       | -                              | 1,654,754            |
| ISCAP warrants payable                          | 1,449,000                       | -                              | 1,449,000            |
| ISCAP accrued interest payable                  | 9,298                           | -                              | 9,298                |
| Other current liabilities                       | 14,797                          | -                              | 14,797               |
| Long-term liabilities:                          |                                 |                                |                      |
| Portion due within one year:                    |                                 |                                |                      |
| Capital notes payable                           | 200,000                         | -                              | 200,000              |
| Early retirement                                | 38,786                          | -                              | 38,786               |
| Capital lease                                   | 72,884                          | -                              | 72,884               |
| Portion due after one year:                     |                                 |                                |                      |
| Capital notes payable                           | 2,320,000                       | -                              | 2,320,000            |
| Early retirement                                | 60,605                          | -                              | 60,605               |
| Capital lease                                   | 19,019                          | -                              | 19,019               |
| <b>Total Liabilities</b>                        | <b>\$ 6,322,281</b>             | <b>\$ 2,551</b>                | <b>\$ 6,324,832</b>  |
| <b>Net Assets</b>                               |                                 |                                |                      |
| Invested in capital assets, net of related debt | \$ 3,390,106                    | \$ 52,315                      | \$ 3,442,421         |
| Restricted                                      | 263,247                         | -                              | 263,247              |
| Unrestricted                                    | 456,491                         | 67,609                         | 524,100              |
| <b>Total Net Assets</b>                         | <b>\$ 4,109,844</b>             | <b>\$ 119,924</b>              | <b>\$ 4,229,768</b>  |



**Postville Community School District**

**Statement of Activities**

**Year Ended June 30, 2005**

|   | Program Revenues    |                            |  |  |
|---|---------------------|----------------------------|--|--|
|   |                     | Charges<br>for<br>Services | Operating<br>Grants,<br>Contributions<br>and<br>Restricted<br>Interest | Capital<br>Grants,<br>Contributions<br>and<br>Restricted<br>Interest |
|   | Expenses            |                            |  |  |
| <b><u>Functions/Programs</u></b>            |                     |                            |  |  |
| <b>Governmental Activities:</b>             |                     |                            |  |  |
| Instruction:                                |                     |                            |  |  |
| Regular instruction                         | \$ 2,089,842        | \$ 137,523                 | \$ 528,056   | \$ -   |
| Special instruction                         | 561,517             | 14,082                     | 224,414  | -  |
| Other instruction                           | 812,733             | 139,507                    | 5,804  | -  |
|   | <u>\$ 3,464,092</u> | <u>\$ 291,112</u>          | <u>\$ 758,274</u>  | <u>\$ -</u>  |
| Support Services:                           |                     |                            |  |  |
| Student services                            | \$ 127,274          | \$ -                       | \$ 4,662   | \$ -   |
| Instructional staff services                | 106,476             | -                          | 22,767   | -  |
| Administration services                     | 531,665             | -                          | -  | -  |
| Operation and maintenance of plant services | 456,480             | 1,797                      | -  | -  |
| Transportation services                     | 184,964             | 4,956                      | -  | -  |
|   | <u>\$ 1,406,859</u> | <u>\$ 6,753</u>            | <u>\$ 27,429</u>   | <u>\$ -</u>  |
| Non-instructional programs                  | <u>\$ 1,174</u>     | <u>\$ -</u>                | <u>\$ -</u>  | <u>\$ -</u>  |
| Other Expenditures:                         |                     |                            |  |  |
| Facilities acquisition                      | \$ 13,245           | \$ -                       | \$ -   | \$ -   |
| Long-term debt interest                     | 74,859              | -                          | -  | -  |
| AEA flow-through                            | 191,485             | -                          | -  | -  |
|   | <u>\$ 279,589</u>   | <u>\$ -</u>                | <u>\$ -</u>  | <u>\$ -</u>  |
| Total Governmental Activities               | \$ 5,151,714        | \$ 297,865                 | \$ 785,703   | \$ -   |
| <b>Business Type Activities:</b>            |                     |                            |  |  |
| Non-Instructional Programs:                 |                     |                            |  |  |
| Food service operations                     | 259,844             | 108,538                    | 145,131  | -  |
| Total                                       | <u>\$ 5,411,558</u> | <u>\$ 406,403</u>          | <u>\$ 930,834</u>  | <u>\$ -</u>  |

Net (Expense) Revenue  
And Changes in Net Assets

| Governmental<br>Activities |            | Business<br>Type<br>Activities |        | Total         |
|----------------------------|------------|--------------------------------|--------|---------------|
| \$                         | -1,424,263 | \$                             | -      | \$ -1,424,263 |
|                            | -323,021   |                                | -      | -323,021      |
|                            | -667,422   |                                | -      | -667,422      |
| \$                         | -2,414,706 | \$                             | -      | \$ -2,414,706 |
| \$                         | -122,612   | \$                             | -      | \$ -122,612   |
|                            | -83,709    |                                | -      | -83,709       |
|                            | -531,665   |                                | -      | -531,665      |
|                            | -454,683   |                                | -      | -454,683      |
|                            | -180,008   |                                | -      | -180,008      |
| \$                         | -1,372,677 | \$                             | -      | \$ -1,372,677 |
| \$                         | -1,174     | \$                             | -      | \$ -1,174     |
| \$                         | -13,245    | \$                             | -      | \$ -13,245    |
|                            | -74,859    |                                | -      | -74,859       |
|                            | -191,485   |                                | -      | -191,485      |
| \$                         | -279,589   | \$                             | -      | \$ -279,589   |
| \$                         | -4,068,146 | \$                             | -      | \$ -4,068,146 |
|                            | -          |                                | -6,175 | -6,175        |
| \$                         | -4,068,146 | \$                             | -6,175 | \$ -4,074,321 |

**Postville Community School District**

**Statement of Activities**

**Year Ended June 30, 2005**

|                                     | Program Revenues           |  |  |
|-------------------------------------|----------------------------|--|--|
|                                     | Charges<br>for<br>Services | Operating<br>Grants,<br>Contributions<br>and<br>Restricted<br>Interest | Capital<br>Grants,<br>Contributions<br>and<br>Restricted<br>Interest |
| Expenses                            |                            |  |  |
| <b>General Revenues:</b>            |                            |  |  |
| Property Tax Levied For:            |                            |  |  |
| General purposes                    |                            |  |  |
| Capital outlay                      |                            |  |  |
| Local option sales and services tax |                            |  |  |
| Unrestricted state grants           |                            |  |  |
| Unrestricted investment earnings    |                            |  |  |
| Other                               |                            |  |  |
| <b>Total General Revenues</b>       |                            |  |  |
| <b>Change in net assets</b>         |                            |  |  |
| <b>Net assets beginning of year</b> |                            |  |  |
| <b>Net Assets End of Year</b>       |                            |  |  |

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

---

| Governmental<br>Activities | Business<br>Type<br>Activities | Total        |
|----------------------------|--------------------------------|--------------|
| \$ 1,396,916               | \$ -                           | \$ 1,396,916 |
| 233,640                    | -                              | 233,640      |
| 323,414                    | -                              | 323,414      |
| 2,349,495                  | -                              | 2,349,495    |
| 29,547                     | 1,385                          | 30,932       |
| 6,634                      | -                              | 6,634        |
| <hr/>                      |                                |              |
| \$ 4,339,646               | \$ 1,385                       | \$ 4,341,031 |
| <hr/>                      |                                |              |
| \$ 271,500                 | \$ -4,790                      | \$ 266,710   |
| 3,838,344                  | 124,714                        | 3,963,058    |
| <hr/>                      |                                |              |
| \$ 4,109,844               | \$ 119,924                     | \$ 4,229,768 |
| <hr/>                      |                                |              |

## Postville Community School District

Balance Sheet  
Governmental Funds

June 30, 2005

| Assets                                       | General             | Physical<br>Plant and<br>Equipment<br>Levy | Debt<br>Service | Capital<br>Projects | Non-<br>major<br>Special<br>Revenue | Total               |
|--|---------------------|--|-----------------|---------------------|-------------------------------------|---------------------|
| Cash and Pooled Investments:                 |                     |  |                 |                     |                                     |                     |
| ISCAP  | \$ 1,454,460        | \$ -                                       | \$ -            | \$ -                | \$ -                                | \$ 1,454,460        |
| Other  | 650,151             | 314,446                                    | 2,538           | 19,591              | 167,731                             | 1,154,457           |
| Receivables:                                 |                     |  |                 |                     |                                     |                     |
| Property Tax:                                |                     |  |                 |                     |                                     |                     |
| Delinquent                                   | 18,337              | 3,112                                      | -               | -                   | 1,720                               | 23,169              |
| Succeeding year                              | 1,323,486           | 221,268                                    | -               | -                   | 110,000                             | 1,654,754           |
| Accounts                                     | 148                 | -  | -               | 27,185              | 1,732                               | 29,065              |
| Accrued Interest:                            |                     |  |                 |                     |                                     |                     |
| ISCAP  | 8,598               | -  | -               | -                   | -                                   | 8,598               |
| Due from other funds                         | -                   | -  | -               | 70,000              | -                                   | 70,000              |
| Due from other governments                   | 97,984              | -  | -               | -                   | -                                   | 97,984              |
| <b>Total Assets</b>                          | <b>\$ 3,553,164</b> | <b>\$ 538,826</b>                          | <b>\$ 2,538</b> | <b>\$ 116,776</b>   | <b>\$ 281,183</b>                   | <b>\$ 4,492,487</b> |
| <b>Liabilities &amp; Fund Balances</b>       |                     |  |                 |                     |                                     |                     |
| Liabilities:                                 |                     |  |                 |                     |                                     |                     |
| Accounts payable                             | \$ 26,305           | \$ -                                       | \$ -            | \$ 11,875           | \$ 2,808                            | \$ 40,988           |
| Salaries and benefits payable                | 435,589             | -  | -               | -                   | -                                   | 435,589             |
| Due to other funds                           | -                   | 70,000                                     | -               | -                   | -                                   | 70,000              |
| ISCAP warrants payable                       | 1,449,000           | -  | -               | -                   | -                                   | 1,449,000           |
| ISCAP accrued interest payable               | 9,298               | -  | -               | -                   | -                                   | 9,298               |
| Other current liabilities                    | 14,797              | -  | -               | -                   | -                                   | 14,797              |
| Deferred Revenue:                            |                     |  |                 |                     |                                     |                     |
| Succeeding year property tax                 | 1,323,486           | 221,268                                    | -               | -                   | 110,000                             | 1,654,754           |
| <b>Total Liabilities</b>                     | <b>\$ 3,258,475</b> | <b>\$ 291,268</b>                          | <b>\$ -</b>     | <b>\$ 11,875</b>    | <b>\$ 112,808</b>                   | <b>\$ 3,674,426</b> |
| Fund Balances:                               |                     |  |                 |                     |                                     |                     |
| Reserved                                     | \$ -                | \$ 263,247                                 | \$ -            | \$ -                | \$ -                                | \$ 263,247          |
| Unreserved                                   | 294,689             | -15,689                                    | 2,538           | 104,901             | 168,375                             | 554,814             |
| <b>Total Fund Balances</b>                   | <b>\$ 294,689</b>   | <b>\$ 247,558</b>                          | <b>\$ 2,538</b> | <b>\$ 104,901</b>   | <b>\$ 168,375</b>                   | <b>\$ 818,061</b>   |
| <b>Total Liabilities &amp; Fund Balances</b> | <b>\$ 3,553,164</b> | <b>\$ 538,826</b>                          | <b>\$ 2,538</b> | <b>\$ 116,776</b>   | <b>\$ 281,183</b>                   | <b>\$ 4,492,487</b> |

See notes to financial statements.

**Postville Community School District**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**To the Statement of Net Assets**

**June 30, 2005**

|  |                            |
|--|----------------------------|
| <b>Total fund balances of governmental funds (page 16)</b>   | <b>\$ 818,061</b>          |
| <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>  |                            |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds                          | 6,002,009                  |
| Accrued interest receivable on long-term liabilities is not receivable in the current period and, therefore, is not reported as an asset in the governmental funds       | 7,629                      |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds  | -6,561                     |
| Long-term liabilities, including capital notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds | <u>-2,711,294</u>          |
| <b>Net assets of governmental activities (page 13)</b>   | <b><u>\$ 4,109,844</u></b> |

## Postville Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2005

|  | General             | Physical<br>Plant and<br>Equipment<br>Levy | Debt<br>Service    | Capital<br>Projects | Non-<br>Major<br>Special<br>Revenue | Total               |
|--|---------------------|--|--------------------|---------------------|-------------------------------------|---------------------|
| <b>Revenues:</b>   |                     |  |                    |                     |                                     |                     |
| <b>Local Sources:</b>  |                     |  |                    |                     |                                     |                     |
| Local tax  | \$ 1,277,087        | \$ 233,640                                 | \$ -               | \$ -                | \$ 119,829                          | \$ 1,630,556        |
| Tuition  | 140,600             | -  | -                  | -                   | -                                   | 140,600             |
| Other  | 40,800              | 768  | 67                 | 325,550             | 143,799                             | 510,984             |
| Intermediate sources   | -                   | -  | -                  | -                   | -                                   | -                   |
| State sources  | 2,726,585           | 149  | -                  | -                   | 82                                  | 2,726,816           |
| Federal sources  | 408,382             | -  | -                  | -                   | -                                   | 408,382             |
| <b>Total Revenues</b>  | <b>\$ 4,593,454</b> | <b>\$ 234,557</b>                          | <b>\$ 67</b>       | <b>325,550</b>      | <b>\$ 263,710</b>                   | <b>\$ 5,417,338</b> |
| <b>Expenditures:</b>   |                     |  |                    |                     |                                     |                     |
| <b>Current:</b>  |                     |  |                    |                     |                                     |                     |
| <b>Instruction:</b>  |                     |  |                    |                     |                                     |                     |
| Regular instruction  | \$ 1,898,692        | \$ -                                       | \$ -               | \$ -                | \$ 77,220                           | \$ 1,975,912        |
| Special instruction  | 554,142             | -  | -                  | -                   | -                                   | 554,142             |
| Other instruction  | 491,471             | 159,941                                    | -                  | -                   | 144,222                             | 795,634             |
| <b>Total Instruction</b>   | <b>\$ 2,944,305</b> | <b>\$ 159,941</b>                          | <b>\$ -</b>        | <b>\$ -</b>         | <b>\$ 221,442</b>                   | <b>\$ 3,325,688</b> |
| <b>Support Services:</b>   |                     |  |                    |                     |                                     |                     |
| Student services   | \$ 126,325          | \$ -                                       | \$ -               | \$ -                | \$ 949                              | \$ 127,274          |
| Instructional staff services   | 98,454              | -  | -                  | -                   | 3,166                               | 101,620             |
| Administration services  | 536,649             | -  | -                  | 405                 | 3,480                               | 540,534             |
| Operation and maintenance of<br>plant services                       | 425,759             | -  | -                  | -                   | 40,666                              | 466,425             |
| Transportation services  | 135,282             | -  | -                  | -                   | 10,203                              | 145,485             |
| <b>Total Support Services</b>  | <b>\$ 1,322,469</b> | <b>\$ -</b>                                | <b>\$ -</b>        | <b>\$ 405</b>       | <b>\$ 58,464</b>                    | <b>\$ 1,381,338</b> |
| <b>Non-instructional</b>   | <b>\$ 169</b>       | <b>\$ -</b>                                | <b>\$ -</b>        | <b>\$ -</b>         | <b>\$ 1,005</b>                     | <b>\$ 1,174</b>     |
| <b>Other Expenditures:</b>   |                     |  |                    |                     |                                     |                     |
| Facilities acquisition   | \$ -                | \$ 1,370                                   | \$ -               | \$ 11,875           | \$ -                                | \$ 13,245           |
| <b>Long-Term Debt:</b>   |                     |  |                    |                     |                                     |                     |
| Principal  | -                   | -  | 263,038            | -                   | -                                   | 263,038             |
| Interest and fiscal charges  | -                   | -  | 75,497             | -                   | -                                   | 75,497              |
| AEA flow-through   | 191,485             | -  | -                  | -                   | -                                   | 191,485             |
| <b>Total Other Expenditures</b>                                      | <b>\$ 191,485</b>   | <b>\$ 1,370</b>                            | <b>\$ 338,535</b>  | <b>\$ 11,875</b>    | <b>\$ -</b>                         | <b>\$ 543,265</b>   |
| <b>Total Expenditures</b>  | <b>\$ 4,458,428</b> | <b>\$ 161,311</b>                          | <b>338,535</b>     | <b>12,280</b>       | <b>\$ 280,911</b>                   | <b>\$ 5,251,465</b> |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>\$ 135,026</b>   | <b>\$ 73,246</b>                           | <b>\$ -338,468</b> | <b>\$ 313,270</b>   | <b>\$ -17,201</b>                   | <b>\$ 165,873</b>   |
| <b>Other Financing Sources (Uses):</b>                               |                     |  |                    |                     |                                     |                     |
| Operating transfers in   | \$ 3,180            | \$ -                                       | \$ 338,335         | \$ -                | \$ -                                | \$ 341,515          |
| Operating transfers out  | -                   | -152,349                                   | -                  | -185,986            | -3,180                              | -341,515            |
| Insurance proceeds   | 207                 | -  | -                  | -                   | -                                   | 207                 |
| Loan proceeds  | -                   | 159,941                                    | -                  | -                   | -                                   | 159,941             |
| Sale of equipment  | 559                 | -  | -                  | -                   | -                                   | 559                 |
| <b>Total Other Financing Sources<br/>    (Uses)</b>                  | <b>\$ 3,946</b>     | <b>\$ 7,592</b>                            | <b>\$ 338,335</b>  | <b>\$ -185,986</b>  | <b>\$ -3,180</b>                    | <b>\$ 160,707</b>   |

**Postville Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

**Year Ended June 30, 2005**

|   | General           | Physical<br>Plant and<br>Equipment<br>Levy | Debt<br>Service | Capital<br>Projects | Non-<br>Major<br>Special<br>Revenue | Total             |
|---|-------------------|--|-----------------|---------------------|-------------------------------------|-------------------|
| Net change in fund balances                               | \$ 138,972        | \$ 80,838                                  | \$ -133         | \$ 127,284          | \$ -20,381                          | \$ 326,580        |
| Fund balances beginning of year, as<br>restated (Note 12) | 155,717           | 166,720                                    | 2,671           | -22,383             | 188,756                             | 491,481           |
| Fund Balances End of Year                                 | <u>\$ 294,689</u> | <u>\$ 247,558</u>                          | <u>\$ 2,538</u> | <u>\$ 104,901</u>   | <u>\$ 168,375</u>                   | <u>\$ 818,061</u> |

See notes to financial statements.



## Postville Community School District

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2005**

**Net change in fund balances – total governmental funds (page 19)** **\$ 326,580**

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

|                                 |           |          |
|---------------------------------|-----------|----------|
| Expenditures for capital assets | \$ 78,778 |          |
| Depreciation expense            | -298,128  | -219,350 |
|                                 |           |          |

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

|        |             |         |
|--------|-------------|---------|
| Issued | \$ -159,941 |         |
| Repaid | 263,038     | 103,097 |
|        |             |         |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

|                  |        |
|------------------|--------|
| Early retirement | 55,425 |
|------------------|--------|

Interest on long-term debt escrow account in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as a revenue in the fund when received. In the Statement of Activities, interest revenue is recognized as interest receivable, regardless of when it is received

5,110

|  |                   |
|--|-------------------|
| <b>Change in Net Assets of Governmental Activities (page 15)</b> | <b>\$ 271,500</b> |
|  |                   |

## Postville Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2005

|   | <u>School<br/>Nutrition</u> |
|---|-----------------------------|
| <b>Assets</b>                                   |                             |
| Cash and cash equivalents                       | \$ 52,682                   |
| Accounts receivable                             | 3,545                       |
| Inventories                                     | 13,933                      |
| Capital assets, net of accumulated depreciation | 52,315                      |
| <b>Total Assets</b>                             | <u>\$ 122,475</u>           |
| <b>Liabilities</b>                              |                             |
| Accounts payable                                | \$ 273                      |
| Salaries and benefits payable                   | 2,278                       |
| <b>Total Liabilities</b>                        | <u>\$ 2,551</u>             |
| <b>Net Assets</b>                               |                             |
| Invested in capital assets, net of related debt | \$ 52,315                   |
| Unrestricted                                    | 67,609                      |
| <b>Total Net Assets</b>                         | <u>\$ 119,924</u>           |

**Postville Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**

**June 30, 2005**

|                              | <u>School<br/>Nutrition</u> |
|------------------------------|-----------------------------|
| Operating revenues:          |                             |
| Local sources:               |                             |
| Charges for service          | \$ 108,538                  |
| Operating expenses:          |                             |
| Non-instructional programs:  |                             |
| Food service operations:     |                             |
| Salaries                     | \$ 95,981                   |
| Benefits                     | 33,595                      |
| Purchased services           | 2,294                       |
| Supplies                     | 120,272                     |
| Depreciation                 | 7,702                       |
| Total operating expenses     | \$ 259,844                  |
| Operating loss               | \$ -151,306                 |
| Non-operating revenues:      |                             |
| State sources                | \$ 3,368                    |
| Federal sources              | 141,763                     |
| Interest income              | 1,385                       |
| Total non-operating revenues | \$ 146,516                  |
| Change in net assets         | \$ -4,790                   |
| Net assets beginning of year | 124,714                     |
| Net Assets End of Year       | \$ 119,924                  |

## Postville Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2005

|   | <u>School<br/>Nutrition</u> |
|---|-----------------------------|
| Cash flows from operating activities:   |                             |
| Cash received from sale of lunches and breakfasts                                 | \$ 108,437                  |
| Cash paid to employees for services   | -128,525                    |
| Cash paid to suppliers for goods or services                                      | -108,347                    |
| Net cash used by operating activities   | <u>\$ -128,435</u>          |
| Cash flows from non-capital financing activities:                                 |                             |
| State grants received   | \$ 3,368                    |
| Federal grants received   | 121,978                     |
| Net cash provided by non-capital financing activities                             | <u>\$ 125,346</u>           |
| Cash flows from capital and related financing activities:                         |                             |
| Acquisition of capital assets   | <u>\$ -14,671</u>           |
| Cash flows from investing activities:   |                             |
| Interest on investments   | <u>\$ 1,385</u>             |
| Net decrease in cash and cash equivalents   | \$ -16,375                  |
| Cash and cash equivalents beginning of year                                       | <u>69,057</u>               |
| Cash and Cash Equivalents End of Year   | <u>\$ 52,682</u>            |
| <b>Reconciliation of operating loss to net cash used by operating activities:</b> |                             |
| Operating loss  | \$ -151,306                 |
| Adjustments to reconcile operating loss to net cash used by operating activities: |                             |
| Commodities used  | 17,460                      |
| Depreciation  | 7,702                       |
| (Increase) in inventories   | -3,499                      |
| (Increase) in accounts receivable   | -100                        |
| Increase in accounts payable  | 257                         |
| Increase in salaries and benefits payable   | <u>1,051</u>                |
| Net Cash Used by Operating Activities   | <u>\$ -128,435</u>          |

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2005, the District received \$16,341 of federal commodities.

See notes to financial statements.

## Postville Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2005

|                             | Trusts                     |                                    |                 |
|-----------------------------|----------------------------|------------------------------------|-----------------|
|                             |                            |                                    | Agency          |
|                             | Expendable<br>Scholarships | Non-<br>Expendable<br>Scholarships |                 |
| <b>Assets</b>               |                            |                                    |                 |
| Cash and pooled investments | \$ 6,718                   | \$ 20,738                          | \$ 9,327        |
| Accounts receivable         | -                          | -                                  | 210             |
| <b>Total Assets</b>         | <b>\$ 6,718</b>            | <b>\$ 20,738</b>                   | <b>\$ 9,537</b> |
| <b>Liabilities</b>          |                            |                                    |                 |
| Accounts payable            | \$ -                       | \$ -                               | \$ 9,537        |
| <b>Net assets</b>           |                            |                                    |                 |
| Reserved for scholarships   | \$ 6,718                   | \$ 20,738                          | \$ -            |

See notes to financial statements.

**Postville Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**

**Year Ended June 30, 2005**

|                              | Trusts          |                  |
|------------------------------|-----------------|------------------|
|                              | Expendable      | Non-Expendable   |
| Additions:                   |                 |                  |
| Local sources:               |                 |                  |
| Interest income              | \$ 657          | \$ -             |
| Contributions                | 5,479           | -                |
|                              | <u>\$ 6,136</u> | <u>\$ -</u>      |
| Deductions:                  |                 |                  |
| Instruction:                 |                 |                  |
| Regular instruction:         |                 |                  |
| Scholarships awarded         | \$ 806          | \$ -             |
| Change in net assets         | \$ 5,330        | \$ -             |
| Net assets beginning of year | 1,388           | 20,783           |
| Net Assets End of Year       | <u>\$ 6,718</u> | <u>\$ 20,783</u> |

See notes to financial statements.

## Postville Community School District

### Notes to Financial Statements

June 30, 2005

#### (1) Summary of Significant Accounting Policies

Postville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Postville, Iowa and portions of the predominately agricultural territories in Allamakee, Clayton, Fayette and Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Postville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Postville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to account for all resources used in the acquisition of building improvements and equipment purchases.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Trust Funds are used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.



Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class                       | Amount   |
|-----------------------------------|----------|
| Land                              | \$ 2,000 |
| Buildings                         | 500      |
| Improvements other than buildings | 500      |
| Furniture and equipment:          |          |
| School Nutrition Fund equipment   | 500      |
| Other furniture and equipment     | 500      |

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Asset Class                       | Estimated Useful Lives (In Years) |
|-----------------------------------|-----------------------------------|
| Buildings                         | 50 years                          |
| Improvements other than buildings | 20 – 50 years                     |
| Furniture and equipment           | 5 – 15 years                      |

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Due From and Due to Other Funds**

The detail of inter-fund receivables and payables at June 30, 2005 is as follows:

| Receivable Fund  | Payable Fund                      | Amount    |
|------------------|-----------------------------------|-----------|
| Capital Projects | Special Revenue:                  |           |
|                  | Physical Plant and Equipment Levy | \$ 70,000 |

The Capital Projects Fund loaned the Physical Plant and Equipment Levy \$70,000 on June 30, 2005 at a 2.5% interest rate. The loan will be repaid as funds become available.

(4) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2005 is as follows:

| Transfer to  | Transfer from                     | Amount     |
|--------------|-----------------------------------|------------|
| Debt Service | Capital Projects                  | \$ 185,986 |
| Debt Service | Physical Plant and Equipment Levy | 152,349    |
| General Fund | Activity                          | 3,180      |
| Total        |                                   | \$ 341,515 |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

| Series     | Warrant Date | Final Warrant Maturity | Investments         | Accrued Interest Receivable | Warrants Payable    | Accrued Interest Payable | Un-amortized Premium |
|------------|--------------|------------------------|---------------------|-----------------------------|---------------------|--------------------------|----------------------|
| 2004-2005B | 1/28/05      | 1/27/06                | \$ 624,801          | \$ 8,420                    | \$ 623,000          | \$ 9,140                 | \$ 3,704             |
| 2005-2006A | 6/30/05      | 6/30/06                | 829,959             | 178                         | 826,000             | 158                      | 11,093               |
| Total      |              |                        | <u>\$ 1,454,760</u> | <u>\$ 8,598</u>             | <u>\$ 1,449,000</u> | <u>\$ 9,298</u>          | <u>\$ 14,797</u>     |

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

| Series   | Balance Beginning of Year | Advances Received | Advances Repaid   | Balance End of Year |
|----------|---------------------------|-------------------|-------------------|---------------------|
| 2004-05A | \$ -                      | \$ 100,000        | \$ 100,000        | \$ -                |
| 2004-05B | -                         | 50,000            | 50,000            | -                   |
|          | <u>\$ -</u>               | <u>\$ 150,000</u> | <u>\$ 150,000</u> | <u>\$ -</u>         |

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

| Series   | Interest Rates on Warrants | Interest Rates on Investments |
|----------|----------------------------|-------------------------------|
| 2004-05B | 3.500%                     | 2.280%                        |
| 2005-06A | 3.903%                     | 2.500%                        |

(6) **Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

|  | Balance<br>Beginning<br>Of Year | Increases   | Decreases | Balance<br>End<br>Of Year |
|--|---------------------------------|-------------|-----------|---------------------------|
| <b>Governmental Activities:</b>              |                                 |             |           |                           |
| Capital assets not being depreciated:        |                                 |             |           |                           |
| Land   | \$ 89,000                       | \$ -        | \$ -      | \$ 89,000                 |
| Construction in progress                     | -                               | 12,500      | -         | 12,500                    |
| Total capital assets not being depreciated   | \$ 89,000                       | \$ 12,500   | \$ -      | \$ 101,500                |
| Capital assets being depreciated:            |                                 |             |           |                           |
| Buildings                                    | \$ 9,204,582                    | \$ 19,858   | \$ -      | \$ 9,224,440              |
| Improvements other than buildings            | 392,655                         | -           | -         | 392,655                   |
| Furniture and equipment                      | 2,920,452                       | 46,420      | -         | 2,966,872                 |
| Total capital assets being depreciated       | \$ 12,517,689                   | \$ 66,278   | \$ -      | \$ 12,583,967             |
| Less accumulated depreciation for:           |                                 |             |           |                           |
| Buildings                                    | \$ 3,744,411                    | \$ 138,455  | \$ -      | \$ 3,882,866              |
| Improvements other than buildings            | 255,361                         | 7,515       | -         | 262,876                   |
| Furniture and equipment                      | 2,385,558                       | 152,158     | -         | 2,537,716                 |
| Total accumulated depreciation               | \$ 6,385,330                    | \$ 298,128  | \$ -      | \$ 6,683,458              |
| Total capital assets being depreciated, net  | \$ 6,132,359                    | \$ -231,850 | \$ -      | \$ 5,900,509              |
| Governmental Activities Capital Assets, Net  | \$ 6,221,359                    | \$ -219,350 | \$ -      | \$ 6,002,009              |
|  |                                 |             |           |                           |
|  | Balance<br>Beginning<br>Of Year | Increases   | Decreases | Balance<br>End<br>Of Year |
| <b>Business type activities:</b>             |                                 |             |           |                           |
| Furniture and equipment                      | \$ 83,416                       | \$ 14,671   | \$ 6,234  | \$ 91,853                 |
| Less accumulated depreciation                | 38,070                          | 7,702       | 6,234     | 39,538                    |
| Business Type Activities Capital Assets, Net | \$ 45,346                       | \$ 6,969    | \$ -      | \$ 52,315                 |

Depreciation expense was charged to the following functions:

**Governmental Activities:**

Instruction:

|         |            |
|---------|------------|
| Regular | \$ 220,795 |
| Special | 7,375      |
| Other   | 17,099     |

Support services:

|                                    |        |
|------------------------------------|--------|
| Instructional staff                | 4,856  |
| Administration                     | 2,547  |
| Operation and maintenance of plant | 5,977  |
| Transportation                     | 39,479 |

Total Depreciation Expense – Governmental Activities

\$ 298,128

**Business Type Activities:**

|                         |                 |
|-------------------------|-----------------|
| Food service operations | <u>\$ 7,702</u> |
|-------------------------|-----------------|

(7) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

|                       | Balance<br>Beginning<br>Of Year | Additions         | Reductions        | Adjustment        | Balance<br>End<br>Of Year | Due<br>Within<br>One Year |
|-----------------------|---------------------------------|-------------------|-------------------|-------------------|---------------------------|---------------------------|
| Capital notes payable | \$ 2,539,502                    | \$ -              | \$ 195,000        | \$ 175,498        | \$ 2,520,000              | \$ 200,000                |
| Early retirement      | 154,816                         | -                 | 55,425            | -                 | 99,391                    | 38,786                    |
| Capital lease         | -                               | 159,941           | 68,038            | -                 | 91,903                    | 72,884                    |
| <b>Total</b>          | <b>\$ 2,694,318</b>             | <b>\$ 159,941</b> | <b>\$ 318,463</b> | <b>\$ 175,498</b> | <b>\$ 2,711,294</b>       | <b>\$ 311,670</b>         |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement expenditures for the year ended June 30, 2005 totaled \$55,425.

QZAB Capital Loan

The QZAB Capital Loan is a federal program in which the \$1,000,000 is due in ten years with one lump payment with a 0% interest rate. The District is required to deposit \$87,749 per year into an escrow account, which will earn 2.85% interest on the funds to be used for the repayment of the loan. Details of the escrow account are as follows:

| Year Ending<br>June 30, | QZAB Capital Loan Escrow<br>Issued April 15, 2002 |                    |                            |
|-------------------------|---|--------------------|----------------------------|
|                         | Principal   | Interest<br>Earned | Total<br>Escrow<br>Account |
| 2003                    | \$ 87,749   | \$ -               | \$ 87,749                  |
| 2004                    | 87,749  | 2,519              | 90,268                     |
| 2005                    | 87,749  | 5,110              | 92,859                     |
| <b>Total</b>            | <b>\$ 263,247</b>                                 | <b>\$ 7,629</b>    | <b>\$ 270,876</b>          |

### Capital Loan Notes

Details of the District's June 30, 2005 capital loan notes indebtedness are as follows:

| Year Ending<br>June 30, | Capital Loan – PPEL<br>Issued May 1, 2002 |            |           |            |
|-------------------------|---|------------|-----------|------------|
|                         | Interest<br>Rates                         | Principal  | Interest  | Total      |
| 2006                    | 4.0%                                      | \$ 60,000  | \$ 18,412 | \$ 78,412  |
| 2007                    | 4.1%                                      | 60,000     | 16,313    | 76,313     |
| 2008                    | 4.2%                                      | 65,000     | 14,062    | 79,062     |
| 2009                    | 4.2%                                      | 65,000     | 11,463    | 76,463     |
| 2010                    | 4.2%                                      | 65,000     | 8,830     | 73,830     |
| 2011                    | 4.25%                                     | 70,000     | 6,165     | 76,165     |
| 2012                    | 4.3%                                      | 75,000     | 3,225     | 78,225     |
| Total                   |   | \$ 460,000 | \$ 78,470 | \$ 538,470 |

| Year Ending<br>June 30, | Capital Loan – LOST<br>(Local Option Sales Tax)<br>Issued September 1, 2002 |              |            |              |
|-------------------------|---|--------------|------------|--------------|
|                         | Interest<br>Rates   | Principal    | Interest   | Total        |
| 2006                    | 3.4%  | \$ 140,000   | \$ 41,646  | \$ 181,646   |
| 2007                    | 3.6%  | 145,000      | 36,886     | 181,886      |
| 2008                    | 3.8%  | 150,000      | 31,666     | 181,666      |
| 2009                    | 3.95%   | 160,000      | 25,966     | 185,966      |
| 2010                    | 4.1%  | 165,000      | 19,646     | 184,646      |
| 2011                    | 4.25%   | 170,000      | 12,880     | 182,880      |
| 2012                    | 4.35%   | 130,000      | 5,656      | 135,656      |
| Total                   |   | \$ 1,060,000 | \$ 174,346 | \$ 1,234,346 |

The District entered into a lease purchase agreement with Wells Fargo Bank in February 2002 for the purchase of exercise equipment for \$207,984.10. Under a three-year lease, \$6,412.44 monthly payments are due. The District had a school participation agreement with the National School Fitness Foundation (NSFF) which was to reimburse the District for these lease payments. In April 2004, the NSFF filed bankruptcy and has not made payments to the District.

During the year ended June 30, 2005, the District made principal, interest, and fees payments totaling \$338,535 under the agreements.

### **(8) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$148,603, \$147,236, and \$141,390, respectively, equal to the required contributions for each year.

**(9) Risk Management**

Postville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$191,485 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Construction Commitment**

The District has been awarded a \$265,408 Iowa Demonstration Construction Grant for sidewalk repairs and other remodeling. These projects will be completed in 2006.

**(12) Restatement**

The Physical Plant and Equipment Levy Fund's beginning fund balance was adjusted to include \$175,498 of prior payments into an escrow account for the QZAB Capital Loan. The loan balance of \$1,000,000 is shown as a long-term liability and an asset of \$263,247 (\$175,498 prior year's payment, \$87,749 current year) is reported in the Statement of Net Assets (Exhibit A).



## **Required Supplementary Information**

**Postville Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2005**

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Fund<br>Actual |
|---|---------------------------------|-------------------------------|
| Receipts:   |                                 |                               |
| Local sources   | \$ 2,265,298                    | \$ 109,822                    |
| Intermediate sources  | -                               | -                             |
| State sources   | 2,730,959                       | 3,368                         |
| Federal sources   | 450,759                         | 121,978                       |
| Total Receipts  | <u>\$ 5,447,016</u>             | <u>\$ 235,168</u>             |
| Disbursements:  |                                 |                               |
| Instruction   | \$ 3,106,667                    | \$ -                          |
| Support services  | 1,342,987                       | -                             |
| Non-instructional programs  | 1,005                           | 251,543                       |
| Other expenditures  | 531,390                         | -                             |
| Total Disbursements   | <u>\$ 4,982,049</u>             | <u>\$ 251,543</u>             |
| Excess (deficiency) of receipts over (under) disbursements  | \$ 464,967                      | \$ -16,375                    |
| Other financing sources, net  | <u>144,201</u>                  | <u>-</u>                      |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | \$ 609,168                      | \$ -16,375                    |
| Balances beginning of year  | <u>552,007</u>                  | <u>69,057</u>                 |
| Balances End of Year  | <u>\$ 1,161,175</u>             | <u>\$ 52,682</u>              |

See accompanying independent auditor's report.

|      | Total<br>Actual | Budgeted<br>Amounts<br>Original | Final To<br>Actual<br>Variance |
|------|-----------------|---------------------------------|--------------------------------|
| \$   | 2,375,120       | \$ 2,691,397                    | \$ -316,277                    |
|      | -               | -                               | -                              |
|      | 2,734,327       | 2,743,718                       | -9,391                         |
|      | 572,737         | 465,000                         | 107,737                        |
| \$   | 5,682,184       | \$ 5,900,115                    | \$ -217,931                    |
| <br> |                 |                                 |                                |
| \$   | 3,106,667       | \$ 4,445,794                    | \$ 1,339,127                   |
|      | 1,342,987       | 1,459,468                       | 116,481                        |
|      | 252,548         | 307,031                         | 54,483                         |
|      | 531,390         | 686,973                         | 155,583                        |
| \$   | 5,233,592       | \$ 6,899,266                    | \$ 1,665,674                   |
| <br> |                 |                                 |                                |
| \$   | 448,592         | \$ -999,151                     | \$ 1,447,743                   |
|      | 144,201         | 5,000                           | 139,201                        |
| <br> |                 |                                 |                                |
| \$   | 592,793         | \$ -994,151                     | \$ 1,586,944                   |
|      | 621,064         | 1,014,858                       | -393,794                       |
| <br> |                 |                                 |                                |
| \$   | 1,213,857       | \$ 20,707                       | \$ 1,193,150                   |

**Postville Community School District**

**Budgetary Comparison Schedule – Budget to GAAP Reconciliation**

**Required Supplementary Information**

**Year Ended June 30, 2005**

|  | Governmental Funds |                        |                              |
|--|--------------------|------------------------|------------------------------|
|  | Cash<br>Basis      | Accrual<br>Adjustments | Modified<br>Accrual<br>Basis |
| Revenues                                       | \$ 5,447,016       | \$ -23,542             | \$ 5,423,474                 |
| Expenditures                                   | 4,982,049          | 270,222                | 5,252,271                    |
| Net  | \$ 464,967         | \$ -293,764            | \$ 171,203                   |
| Other financing sources, net                   | 144,201            | 9,788                  | 153,989                      |
| Beginning fund balances, as restated (Note 12) | 552,007            | -59,138                | 492,869                      |
| Ending Fund Balances                           | \$ 1,161,175       | \$ -343,114            | \$ 818,061                   |
|  |                    |                        |                              |
|  | Proprietary Fund   |                        |                              |
|  | Enterprise         |                        |                              |
|  | Cash<br>Basis      | Accrual<br>Adjustments | Accrual<br>Basis             |
| Revenues                                       | \$ 235,168         | \$ 19,886              | \$ 255,054                   |
| Expenses                                       | 251,543            | 8,301                  | 259,844                      |
| Net  | \$ -16,375         | \$ 11,585              | \$ -4,790                    |
| Beginning net assets                           | 69,057             | 55,657                 | 124,714                      |
| Ending Net Assets                              | \$ 52,682          | \$ 67,242              | \$ 119,924                   |

**Postville Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2005**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

## **Other Supplementary Information**

## Postville Community School District

Combining Balance Sheet  
Non-Major Special Revenue Funds

June 30, 2005

|  | Management<br>Levy | Student<br>Activity | Total             |
|--|--------------------|---------------------|-------------------|
| <b>Assets</b>                              |                    |                     |                   |
| Cash and pooled investments                | \$ 136,884         | \$ 30,847           | \$ 167,731        |
| Receivables:                               |                    |                     |                   |
| Property Tax:                              |                    |                     |                   |
| Delinquent                                 | 1,720              | -                   | 1,720             |
| Succeeding year                            | 110,000            | -                   | 110,000           |
| Accounts                                   | -                  | 1,732               | 1,732             |
| <b>Total Assets</b>                        | <b>\$ 248,604</b>  | <b>\$ 32,579</b>    | <b>\$ 281,183</b> |
| <b>Liabilities &amp; Fund Equity</b>       |                    |                     |                   |
| Liabilities:                               |                    |                     |                   |
| Accounts payable                           | \$ 284             | \$ 2,524            | \$ 2,808          |
| Deferred revenue:                          |                    |                     |                   |
| Succeeding year property tax               | 110,000            | -                   | 110,000           |
| Total Liabilities                          | \$ 110,284         | \$ 2,524            | \$ 112,808        |
| Fund Equity:                               |                    |                     |                   |
| Unreserved fund balances                   | 138,320            | 30,055              | 168,375           |
| <b>Total Liabilities &amp; Fund Equity</b> | <b>\$ 248,604</b>  | <b>\$ 32,579</b>    | <b>\$ 281,183</b> |

**Postville Community School District**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Non-Major Special Revenue Funds**

**Year Ended June 30, 2005**

|   | Management<br>Levy | Student<br>Activity | Total             |
|---|--------------------|---------------------|-------------------|
| <b>Revenues:</b>  |                    |                     |                   |
| Local Sources:  |                    |                     |                   |
| Local tax   | \$ 119,829         | \$ -                | \$ 119,829        |
| Other   | 2,912              | 140,887             | 143,799           |
| State sources   | 82                 | -                   | 82                |
| Total Revenues  | <u>\$ 122,823</u>  | <u>\$ 140,887</u>   | <u>\$ 263,710</u> |
| <b>Expenditures:</b>  |                    |                     |                   |
| Current:  |                    |                     |                   |
| Instruction:  |                    |                     |                   |
| Regular instruction   | \$ 77,220          | \$ -                | \$ 77,220         |
| Other instruction   | -                  | 144,222             | 144,222           |
| Support Services:   |                    |                     |                   |
| Student support services  | 949                | -                   | 949               |
| Instructional staff services  | 3,166              | -                   | 3,166             |
| Administration services   | 3,480              | -                   | 3,480             |
| Operation and maintenance of plant services   | 40,666             | -                   | 40,666            |
| Transportation services   | 10,203             | -                   | 10,203            |
| Non-instructional programs  | 1,005              | -                   | 1,005             |
| Total Expenditures  | <u>\$ 136,689</u>  | <u>\$ 144,222</u>   | <u>\$ 280,911</u> |
| Excess (deficiency) of revenues over (under) expenditures   | <u>\$ -13,866</u>  | <u>\$ -3,335</u>    | <u>\$ -17,201</u> |
| <b>Other Financing Sources (Uses):</b>  |                    |                     |                   |
| Operating transfers out   | <u>\$ -</u>        | <u>\$ -3,180</u>    | <u>\$ -3,180</u>  |
| Excess (deficiency) of revenues & other financing sources over<br>(under) expenditures & other financing uses | <u>\$ -13,866</u>  | <u>\$ -6,515</u>    | <u>\$ -20,381</u> |
| Fund balances beginning of year   | 152,186            | 36,570              | 188,756           |
| Fund Balances End of Year   | <u>\$ 138,320</u>  | <u>\$ 30,055</u>    | <u>\$ 168,375</u> |



## Postville Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2005

| Account                      | Balance<br>Beginning<br>Of Year | Revenues<br>and<br>Inter-fund<br>Transfers | Expenditures | Intra-<br>Fund<br>Transfers | Balance<br>End of<br>Year |
|------------------------------|---------------------------------|--|--------------|-----------------------------|---------------------------|
| Drama                        | \$ 7,030                        | \$ 8,437                                   | \$ 10,902    | \$ -885                     | \$ 3,680                  |
| Vocal music                  | -                               | -  | 727          | 727                         | -                         |
| Instrumental music           | -                               | -  | 159          | 159                         | -                         |
| High School golf             | -                               | 5  | 973          | 968                         | -                         |
| High School boys basketball  | 78                              | 3,763                                      | 2,755        | -1,005                      | 81                        |
| High School boys football    | -                               | 5,709                                      | 5,149        | -732                        | -172                      |
| High School baseball         | 307                             | 2,431                                      | 4,224        | 1,226                       | -260                      |
| High School boys track       | 158                             | 1,215                                      | 1,743        | 370                         | -                         |
| High School wrestling        | -                               | 2,533                                      | 1,696        | -837                        | -                         |
| High School girls basketball | 1,711                           | 5,704                                      | 4,245        | -3,151                      | 19                        |
| High School volleyball       | 1,454                           | 2,240                                      | 2,170        | -1,524                      | -                         |
| High School softball         | 133                             | 2,203                                      | 4,965        | 2,601                       | -28                       |
| High School girls track      | -                               | 891  | 1,715        | 534                         | -290                      |
| Class of 2005                | 2,471                           | 983  | 2,395        | -600                        | 459                       |
| Class of 2006                | 95                              | 18,691                                     | 14,973       | 50                          | 3,863                     |
| Class of 2007                | -                               | 107  | 75           | 75                          | 107                       |
| Class of 2008                | -                               | 29   | 109          | 80                          | -                         |
| High School student council  | 4,396                           | 6,928                                      | 12,455       | 1,720                       | 589                       |
| FCCLA                        | 1,359                           | 7,501                                      | 7,695        | -                           | 1,165                     |
| Peer Helpers                 | 394                             | 807  | 728          | -                           | 473                       |
| Mirror                       | 1,151                           | 8,537                                      | 7,893        | 600                         | 2,395                     |
| Cheerleaders                 | 1,208                           | 2,623                                      | 3,018        | -                           | 813                       |
| National Honor Society       | -                               | -  | 527          | 527                         | -                         |
| SADD                         | 284                             | -  | -            | -30                         | 254                       |
| Magazines                    | -136                            | 15,403                                     | 14,699       | -568                        | -                         |
| Elementary student council   | 630                             | 3,623                                      | 1,837        | -1,895                      | 521                       |
| Interest account             | 166                             | 1,380                                      | 586          | -527                        | 433                       |
| Resale boys basketball       | 6                               | 454  | 454          | -                           | 6                         |
| Resale band                  | 314                             | 1,262                                      | 612          | -                           | 964                       |
| Resale softball              | -                               | 998  | 914          | -                           | 84                        |
| Resale baseball              | -                               | 56   | 1,023        | 967                         | -                         |
| Resale football              | -                               | 985  | 985          | -                           | -                         |
| Resale Home Economics        | -                               | 261  | 261          | -                           | -                         |
| Resale girls track           | 6                               | 376  | 376          | -                           | 6                         |
| Resale golf                  | 4                               | 590  | 606          | 12                          | -                         |
| Resale boys track            | -                               | 2,433                                      | 2,445        | 12                          | -                         |
| FFA                          | 12,088                          | 20,954                                     | 22,894       | -                           | 10,148                    |

## Postville Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2005

| Account                        | Balance<br>Beginning<br>Of Year | Revenues<br>and<br>Inter-fund<br>Transfers | Expenditures | Intra-<br>Fund<br>Transfers | Balance<br>End of<br>Year |
|--------------------------------|---------------------------------|--|--------------|-----------------------------|---------------------------|
| Athletics                      | \$ 1,249                        | \$ 10,320                                  | \$ 4,970     | \$ -1,857                   | \$ 4,742                  |
| Middle School boys basketball  | -                               | -  | 523          | 523                         | -                         |
| Middle School football         | -                               | -  | 737          | 737                         | -                         |
| Middle School boys track       | -                               | 210  | 256          | 46                          | -                         |
| Middle School wrestling        | -                               | -  | 200          | 200                         | -                         |
| Middle School girls basketball | -                               | -  | 847          | 847                         | -                         |
| Middle School volleyball       | -                               | -  | 630          | 630                         | -                         |
| Middle School girls track      | 14                              | 245  | 256          | -                           | 3                         |
| Total                          | \$ 36,570                       | \$ 140,887                                 | \$ 147,402   | \$ -                        | \$ 30,055                 |

See accompanying independent auditor's report.

## Postville Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Funds – Summary

Year Ended June 30, 2005

|                          | Balance<br>Beginning<br>of Year | Additions        | Deductions       | Balance<br>End<br>of Year |
|--------------------------|---------------------------------|------------------|------------------|---------------------------|
| <b>Assets</b>            |                                 |                  |                  |                           |
| Cash                     | \$ 15,081                       | \$ 60,129        | \$ 65,883        | \$ 9,327                  |
| Accounts receivable      | 38                              | 210              | 38               | 210                       |
| <b>Total Assets</b>      | <b>\$ 15,119</b>                | <b>\$ 60,339</b> | <b>\$ 65,921</b> | <b>\$ 9,537</b>           |
| <b>Liabilities</b>       |                                 |                  |                  |                           |
| Accounts payable         | \$ 15,119                       | \$ 60,339        | \$ 65,921        | \$ 9,537                  |
| <b>Total Liabilities</b> | <b>\$ 15,119</b>                | <b>\$ 60,339</b> | <b>\$ 65,921</b> | <b>\$ 9,537</b>           |

See accompanying independent auditor's report.

## Postville Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Funds – Detail

Year Ended June 30, 2005

|                       | Balance<br>Beginning<br>of Year | Additions | Deductions | Balance<br>End<br>of Year |
|-----------------------|---------------------------------|-----------|------------|---------------------------|
| Music events          | \$ -221                         | \$ 3,726  | \$ 3,338   | \$ 167                    |
| Band boosters         | 2,918                           | 15,141    | 18,399     | -340                      |
| Athletic events       | 106                             | 7,794     | 7,790      | 110                       |
| Climate committee     | 137                             | 419       | 330        | 226                       |
| Retiree insurance     | 2,341                           | 19,858    | 18,710     | 3,489                     |
| Bell fund             | 2,160                           | -         | 20         | 2,140                     |
| Outdoor bulletin      | 6,566                           | -         | 6,904      | -338                      |
| Production class      | 1                               | -         | -          | 1                         |
| Spanish Club          | 1,111                           | 9,013     | 10,124     | -                         |
| Upper Iowa Conference | -                               | 4,388     | 306        | 4,082                     |
| Total                 | \$ 15,119                       | \$ 60,339 | \$ 65,921  | \$ 9,537                  |

## Postville Community School District

Combining Balance Sheet  
Expendable Trust Funds

June 30, 2005

|  | Jamey Ash<br>Memorial | Harnack<br>Scholarship | Capper<br>Scholarship | Martin<br>Trust | Total           |
|--|-----------------------|------------------------|-----------------------|-----------------|-----------------|
| <b>Assets</b>                            |                       |                        |                       |                 |                 |
| Cash                                     | \$ 5,494              | \$ 293                 | \$ 335                | \$ 596          | \$ 6,718        |
| <b>Total Assets</b>                      | <u>\$ 5,494</u>       | <u>\$ 293</u>          | <u>\$ 335</u>         | <u>\$ 596</u>   | <u>\$ 6,718</u> |
| <b>Liabilities and Fund Equity</b>       |                       |                        |                       |                 |                 |
| Liabilities                              | \$ -                  | \$ -                   | \$ -                  | \$ -            | \$ -            |
| Fund equity:                             |                       |                        |                       |                 |                 |
| Fund Balances:                           |                       |                        |                       |                 |                 |
| Unreserved, undesignated fund balance    | 5,494                 | 293                    | 335                   | 596             | 6,718           |
| <b>Total Liabilities and Fund Equity</b> | <u>\$ 5,494</u>       | <u>\$ 293</u>          | <u>\$ 335</u>         | <u>\$ 596</u>   | <u>\$ 6,718</u> |

See accompanying independent auditor's report.

## Postville Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Expendable Trust Funds

Year Ended June 30, 2005

|  | Jamey Ash<br>Memorial | Harnack<br>Scholarship | Capper<br>Scholarship | Martin<br>Trust | Total           |
|--|-----------------------|------------------------|-----------------------|-----------------|-----------------|
| Revenues:  |                       |                        |                       |                 |                 |
| Local Sources:   |                       |                        |                       |                 |                 |
| Interest from non-expendable trust fund<br>investments       | \$ 15                 | \$ 294                 | \$ 336                | \$ 12           | \$ 657          |
| Contributions  | 5,479                 | -                      | -                     | -               | 5,479           |
|  | <u>\$ 5,494</u>       | <u>\$ 294</u>          | <u>\$ 336</u>         | <u>\$ 12</u>    | <u>\$ 6,136</u> |
| Expenditures:  |                       |                        |                       |                 |                 |
| Instruction:   |                       |                        |                       |                 |                 |
| Regular Instruction:<br>Scholarships                         | \$ -                  | \$ 469                 | \$ 337                | \$ -            | \$ 806          |
| Excess (deficiency) of revenues over (under)<br>expenditures | \$ 5,494              | \$ -175                | \$ -1                 | \$ 12           | \$ 5,330        |
| Fund balances beginning of year                              | -                     | 468                    | 336                   | 584             | 1,388           |
| Fund Balances End of Year                                    | <u>\$ 5,494</u>       | <u>\$ 293</u>          | <u>\$ 335</u>         | <u>\$ 596</u>   | <u>\$ 6,718</u> |

## Postville Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

|   | Modified Accrual Basis |              |              |              |
|---|------------------------|--------------|--------------|--------------|
|   | 2005                   | 2004         | 2003         | 2002         |
| Revenues:                                   |                        |              |              |              |
| Local Sources:                              |                        |              |              |              |
| Local tax                                   | \$ 1,630,556           | \$ 1,585,891 | \$ 1,567,257 | \$ 1,574,674 |
| Tuition                                     | 140,600                | 142,490      | 172,719      | 163,039      |
| Other                                       | 510,984                | 608,632      | 537,157      | 249,805      |
| Intermediate sources                        | -                      | -            | 700          | -            |
| State sources                               | 2,726,816              | 2,505,501    | 2,757,784    | 2,507,797    |
| Federal sources                             | 408,382                | 689,604      | 931,431      | 257,554      |
| Total                                       | \$ 5,417,338           | \$ 5,532,118 | \$ 5,967,048 | \$ 4,752,869 |
| Expenditures:                               |                        |              |              |              |
| Instruction:                                |                        |              |              |              |
| Regular instruction                         | \$ 1,975,912           | \$ 2,042,077 | \$ 2,123,497 | \$ 2,044,128 |
| Special instruction                         | 554,142                | 802,373      | 775,681      | 604,097      |
| Other instruction                           | 795,634                | 505,707      | 561,068      | 504,511      |
| Support services:                           |                        |              |              |              |
| Student services                            | 127,274                | 119,340      | 113,379      | 103,123      |
| Instructional staff services                | 101,620                | 76,982       | 84,011       | 77,191       |
| Administrative services                     | 540,534                | 471,885      | 519,559      | 519,950      |
| Operation and maintenance of plant services | 466,425                | 659,882      | 415,013      | 338,958      |
| Transportation services                     | 145,485                | 162,122      | 160,873      | 145,842      |
| Community services                          | -                      | 10,734       | 17,066       | 21,094       |
| Non-instructional programs                  | 1,174                  | -            | 647          | -            |
| Other expenditures:                         |                        |              |              |              |
| Facilities acquisition                      | 13,245                 | 2,048,687    | 2,611,595    | 49,365       |
| Long-term debt:                             |                        |              |              |              |
| Principal                                   | 263,038                | 277,749      | 207,749      | 200,000      |
| Interest and other charges                  | 75,497                 | 71,780       | 60,036       | 13,400       |
| AEA flow-through                            | 191,485                | 192,936      | 208,716      | 196,786      |
| Total                                       | \$ 5,251,465           | \$ 7,442,254 | \$ 7,858,890 | \$ 4,818,445 |

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**



Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of  
Postville Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Postville Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated August 16, 2005. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Postville Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe items I-A-05 and I-B-05 are material weaknesses.

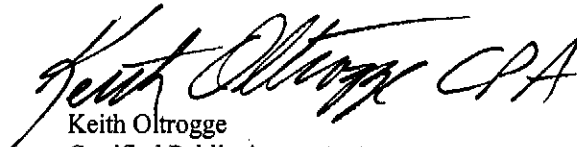
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Postville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Postville Community School District and other parties to whom Postville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Postville Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

  
Keith Oltrogge  
Certified Public Accountant

August 16, 2005

Postville Community School District

Schedule of Findings

Year Ended June 30, 2005

**Part I – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

- I-A-05 Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion – Response accepted.

- I-B-05 Check-Signing Machine – I noted that a check-signing machine was used to sign checks. I also noted that the person who wrote the checks, journalized transactions and reconciled the bank accounts had access to the check-signing machine.

Recommendation – The District should establish procedures to control access to the check-signing machine, such as having another person control the key to the machine and establishing a log of the numbers of the checks signed that reconciles to a counter on the machine.

Response – We will review our procedures controlling access to the check-signing machine.

Conclusion – Response accepted.

**Postville Community School District**

**Schedule of Findings**

**Year Ended June 30, 2005**

**Part II - Other Findings Related to Statutory Reporting:**

- II-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget - Disbursements for the year ended June 30, 2005 did not exceed the certified budget.
- II-C-05 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-G-05 Board Minutes - The minutes record was examined and appeared to give a condensed account of business transactions by the Board. No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-05 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-05 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.
- II-K-05 Deficit Balances - The Student Activity account had four deficit accounts at June 30, 2005.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the accounts at the end of the fiscal year.

Conclusion - Response accepted.